



STATE RETIREMENT
and PENSION SYSTEM
of MARYLAND

Board selects R. Dean Kenderdine as Executive Director

THE BOARD OF TRUSTEES FOR THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM has

announced its selection of R. Dean Kenderdine as Executive Director.

"The Board and I have the utmost confidence in Dean's administrative and management skills to oversee the Agency," former Chairman of the Board and State Comptroller William Donald Schaefer said. "On a personal note, Dean has served me well over the last eight years with integrity and honesty – qualities you want in someone to head the State Retirement and Pension System."

Chairman and Treasurer Nancy K. Kopp said, "Dean has done an outstanding job overseeing the administration of investments and pension benefits on behalf of the 340,000 members, former members and beneficiaries as interim executive director. It is with great pleasure and confidence that the Board names him Executive Director. The Board looks forward to working with him."

The appointment of Mr. Kenderdine is the culmination of a national search conducted by the Board to replace

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Franchot, Foster join Board; Schaefer, Januszkiewicz conclude service

TWO NEW MEMBERS joined the State Retirement and Pension System Board of Trustees in January.

Newly-elected Maryland Comptroller Peter Franchot joined the Board, succeeding former Comptroller William Donald Schaefer.

T. Eloise Foster, who was appointed by Governor Martin O'Malley as Secretary of the Maryland Department of Budget and Management, assumed the Board seat of former Secretary Cecilia Januszkiewicz.

Both the Comptroller and Budget Secretary by law serve *ex officio* (because of their office) as members of the Board.

Mr. Franchot, prior to his election as Comptroller, served for 20 years as a delegate in the Maryland General Assembly, where he was a member of the Appropriations Committee. He served in the U.S. Army from 1968 to 1970 and holds degrees from Amherst College and Northeastern School of Law.

Ms. Foster previously served as Budget Secretary under Governor Parris N. Glendening. Upon her appointment in 2000, she became the first African-American woman to serve as chief budget officer of a state. She holds degrees from Howard and American Universities.

William Donald Schaefer provided faithful service on the Board of Trustees for nine years, first as Vice-Chairman and later as Chairman. During his distinguished 50-year career of public service, he successively served as a Baltimore City Councilman and Council President, Baltimore Mayor, Maryland Governor and Maryland Comptroller.

Cecilia Januszkiewicz was a dedicated member of the Board of Trustees for two years. Before her appointment as Budget Secretary in 2005, Ms. Januszkiewicz served as Deputy Secretary and, prior to that, was Principal Counsel and Assistant Attorney General for the department.

System achieves third straight year of investment growth

FOR THE THIRD CONSECUTIVE YEAR, the State Retirement and Pension System of Maryland posted strong investment returns. The total return for the System was 10.4% for the fiscal year ending June 30, 2006.

This is a summary of the System's activities for the year ending June 30, 2006. For more detailed information, the System's comprehensive annual financial report is available online at www.sra.state.md.us.

SYSTEM FINANCES

The System is responsible for properly administering the retirement, disability and death benefits for its members and retirees. The System's overall funding objective is to accumulate sufficient assets over time to meet these long-term benefit obligations as they become due.

Revenues

During fiscal year 2006, investment earnings were \$3.2 billion, while revenues from employer and member contributions were \$721 million and \$215 million, respectively. For fiscal year 2006, member contribution

REVENUES

Employer Contributions

2006	\$721 million
2005	\$670 million

Employee Contributions

2006	\$215 million
2005	\$209 million

Net Investment Income

2006	\$3.2 billion
2005	\$2.8 billion

The Agency will continue to search for the optimal investment tradeoffs that will provide an attractive return expectation while maintaining acceptable levels of investment risk.

rates remained unchanged, while employer rates varied depending on the System.

Expenses

Retirement allowances paid to retirees and beneficiaries totaled \$1.8 billion in fiscal year 2006. An additional \$16.4 million was paid to members and withdrawing employers as a result of employment terminations and withdrawals from the System. Expenses for management of the investment portfolio and

administration of the System were \$144.8 million and \$18.6 million, respectively.

Funded Status

As of June 30, 2006, the System's actuarial accrued liability was \$43.2 billion. With the actuarial value of assets accumulated to pay the liability at \$35.8 billion, the System now stands at 82.78% funded. Because returns are smoothed over a five year period for actuarial valuation purposes, coupled with benefit enhancements enacted in 2006, the System experienced a decrease in its funded ratio in fiscal year 2006. The System, however, remains financially strong and on schedule with regard to its long-term funding goals.

INVESTMENTS

The System continued to experience strong investment gains during fiscal year 2006 with a return of 10.4%.

EXPENSES

Benefit Payments

2006	\$1.8 billion
2005	\$1.7 billion

Refunds

2006	\$16 million
2005	\$19 million

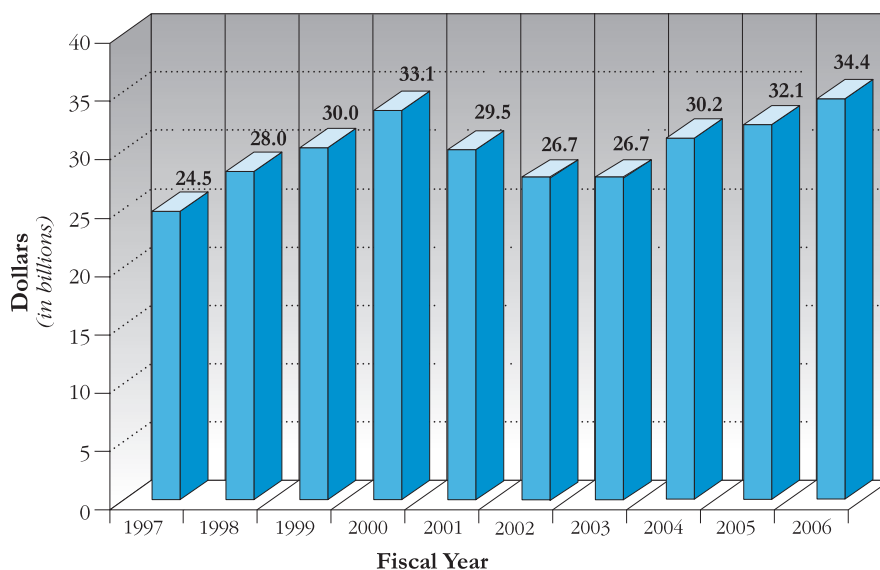
Annualized returns for the three, five, and 10-year periods ending June 30 were 12.0%, 6.0% and 7.3%, respectively. The market value of System assets increased from \$32.1 billion on June 30, 2005 to \$34.4 billion on June 30, 2006. The System's equity investments returned 14.4%, with domestic equities returning 9.0% and international equities returning 28.2%. The System's fixed income investments returned -0.2%, and real estate returned 23.8%.

Looking forward to fiscal year 2007, the Agency will continue to search for the optimal investment tradeoffs that will provide an attractive return expectation while maintaining acceptable levels of investment risk.

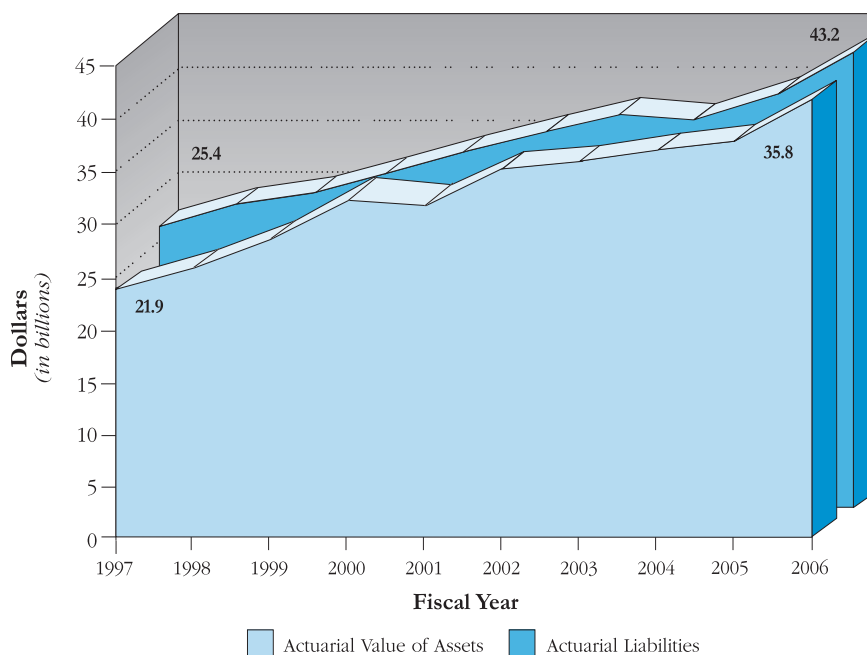
MEMBERSHIP

The System's rolls included 191,273 active members as of June 30, 2006, an increase of 3,223 members from the previous year. The System also served 103,831 retirees and beneficiaries at the end of fiscal year 2006, an increase of 3,635 over the previous year. During fiscal year 2006, the number of former members who are eligible for a future benefit (i.e., vested members) increased by 1,646 to a total of 49,310.

TEN-YEAR GROWTH OF INVESTMENT PORTFOLIO



TEN-YEAR HISTORY OF FUNDING PROGRESS



FOR MORE INFORMATION ...

The System's Comprehensive Annual Financial Report for fiscal year 2006 is available in its entirety online. Visit the State Retirement Agency Web site at www.sra.state.md.us to access a printable version of the report.

Nomination period for Trustee elections ends March 30

POTENTIAL CANDIDATES FOR THE BOARD OF TRUSTEES

of the State Retirement and Pension System of Maryland are now working to collect the 500 required signatures to vie in the spring trustee elections.

Nomination petitions must be returned to the State Retirement Agency by 4:30 p.m. on March 30, 2007.

Elections will be conducted in June for a retired Teachers' System representative and an Employees' System representative to the Board. These seats are currently held by Carl D. Lancaster and John W. Douglass, respectively. Mr. Lancaster has served on the Board since 1987 and Mr. Douglass since 2004. The Trustees chosen this spring will serve terms from August 1, 2007 to July 31, 2011.

Prospective teacher candidates must be retirees of the Teachers'

Retirement or Teachers' Pension Systems. Employee candidates must have retired from the Employees' Retirement or Pension Systems, Correctional Officers' Retirement System, Judges' Retirement System, Legislative Pension Plan, Local Fire and Police System or the Law Enforcement Officers' Pension Plan.

The Board of Trustees is charged with the fiduciary responsibility for properly administering the retirement and pension allowances of more than 103,000 retirees and beneficiaries as well as the future benefits for more than 188,000 active members. These groups include state government employees, teachers, law enforcement personnel, legislators, judges and local government employees and fire fighters whose employers have elected to participate in the System.

Pre-retirement seminars slated

IF YOU'RE WITHIN EIGHT YEARS OF RETIREMENT,

make plans now to attend an upcoming Pre-Retirement Seminar hosted by the State Retirement Agency of Maryland. Events are slated throughout the state.

Registration forms are available from your Retirement Coordinator and on the Internet at www.sra.state.md.us. Separate registration forms are provided for state employees and for employees of participating governmental units, so be sure to submit the appropriate form.

To attend this seminar, you must be a member of the State Retirement and Pension System of Maryland *and* be within eight years of retirement. Your spouse is welcome to attend with you. Signed interpreters can be provided on request.

For more information, please contact the Retirement Agency at 410-625-5555 or toll free at 1-800-492-5909.

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Thomas K. Lee, who accepted a position with the New York State Teachers' Retirement System in September 2006.

Mr. Kenderdine has dedicated his 27-year career to public service. He has served as interim executive director since September 6, 2006. Prior to this appointment, Mr. Kenderdine served as the chief of staff for the Comptroller,

overseeing the agency's legislative activities, personnel services, intergovernmental relations, strategic planning and concerns relative to the state's business community and economic development. He also served for over a decade as Assistant Secretary of Maryland's Department of Business and Economic Development.

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